

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2007

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NKOMAZI LOCAL MUNICIPALITY

**APPROVAL OF ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2007**

As Accounting Officer, in terms of section 126(1)(a) of the Municipal Finance Management Act, Act no 56 of 2003, I am responsible for the preparation of the annual financial statements as set out on pages 1 to 32 and which I have signed on behalf of the Nkomazi Local Municipality.

I Certify, in terms of section 124(1) of the Municipal Finance Management Act, that the salaries, allowances and benefits of Councillors as disclosed in the to the annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act (Act 20 of 1998) and the determination by the Minister of Provincial and Local Government in terms of the said Act.

SHABANGU S.M.
MUNICIPAL MANAGER
NKOMAZI LOCAL MUNICIPALITY

DATE: _____

NKOMAZI LOCAL MUNICIPALITY

GENERAL INFORMATION

for the year ended 30 June 2007

1 Councillors

	SURNAME	NAMES	POSITION
1	Mavuso	Mchiniseki Johan	Executive Mayor
2	Hlophe	Nonhlahla Cynthia	Speaker
3	Lubisi	Mndawe Thomas	Chief Whip
4	Vilakazi	Musa Robert	Mayoral Committee Member
5	Mogiba	Gift Nosipho	Mayoral Committee Member
6	Mkhatshwa	Sdudla Lizzie	Mayoral committee Member
7	Mhlanga	Mandla Welcome	Mayoral committee Member
8	Khoza	Thulisile Swenky	Mayoral committee Member
9	Dippenaar	Cornelius Gunter	Part Time Councillor
10	Du Troit	Gabriel Jacobus	Part Time Councillor
11	Hongwane	Constance Nala	Part Time Councillor
12	Gumede	Israel	Part Time Councillor
13	Khoza	Boshiwe Rod	Part Time Councillor
14	Khoza	Mabel Rachel	Part Time Councillor
15	Kubhayi	Getrude Rachel	Part Time Councillor
16	Letsoalo	Selwane Michael	Part Time Councillor
17	Lubisi	Mkhoti Timothy	Part Time Councillor
18	Mabuza	Simeon	Part Time Councillor
19	Mabuza	Solomon Japhta	Part Time Councillor
20	Macie	Khesani Jackie	Part Time Councillor
21	Madonsela	Langa Esau	Part Time Councillor
22	Magagula	Samaria Norina	Part Time Councillor
23	Magagula	Phindile Pertunia	Part Time Councillor
24	Manzini	Hluphile Queen	Part Time Councillor
25	Mathonsi	Lilian Girly	Part Time Councillor
26	Malaza	Busisiwe Bernadette	Part Time Councillor
27	Maphanga	Dan Alex	Part Time Councillor
28	Masilela	Danile Lettie	Part Time Councillor
29	Masilela (Mabuza)	Lina Silungile	Part Time Councillor
30	Masilela	Tobhota Elizabeth	Part Time Councillor
31	Mashaba	Sikhumbuzo Lucky	Part Time Councillor
32	Mashele	Siphiwe Jeanette	Part Time Councillor
33	Makhubela	Bhekumuzi Sunboy	Part Time Councillor
34	Mogale	Joyce Ntombikayise	Part Time Councillor
35	Muyeni	Thembinkosi Mlaba	Part Time Councillor
36	Mpofu	Jabulile Ntombifuthi	Part Time Councillor
37	Ndwandwe-Mkhwanazi	Eunice Bridget	Part Time Councillor
38	Nel	Philippus Rudolf Botha	Part Time Councillor
39	Ngomane	Freddy Nicholas	Part Time Councillor
40	Ngomane	Ephraim Mvulo	Part Time Councillor
41	Ngomane	Busisiwe Degracia	Part Time Councillor
42	Ngwenya	Girly Ntombikayise	Part Time Councillor
43	Nhlebeza	Maggie Nonhlahla	Part Time Councillor
44	Nkosi	Catrine Dimakatso	Part Time Councillor
45	Nkosi	Judas Mbede	Part Time Councillor

NKOMAZI LOCAL MUNICIPALITY

GENERAL INFORMATION

for the year ended 30 June 2007

1 Councillors (cont.)

	SURNAME	NAMES	POSITION
46	Sambo	Levy Peter	Part Time Councillor
47	Shongwe	Wellington Harris	Part Time Councillor
48	Sibitane	Fani Elliot	Part Time Councillor
49	Silombo	Sonto Reyce	Part Time Councillor
50	Sithole	Lettie Trinity	Part Time Councillor
51	Sono	Bongiwe Nancy	Part Time Councillor
52	Themba	Simon Qamuka	Part Time Councillor
53	Thwala	Hoyland Charles	Part Time Councillor
54	Vilakazi	Fakazile Bella	Part Time Councillor
55	Zimba	Sibonangaye Petty	Part Time Councillor
56	Nhlambo	Malangashona Million	Part Time Councillor
57	Dlamini-Zitha	Sofie Phylis	Part Time Councillor
58	Mahlalela	Grace	Part Time Councillor
59	Ngcane	Msombuluko Solomon	Part Time Councillor
60	To be elected	To be elected	To be elected

2 Grading of Nkomazi Local Municipality

Category 4

3 Auditors

Office of the Auditor-General

4 Bankers

ABSA, Malelane

5 Registered Office

Civic Centre	Private Bag X101
No 9 Park street	MALELANE
MALELANE	1320
1320	
Tel: (013) 790 0245	Fax: (013) 790 0496

6 Municipal Manager

Shabangu S.M.

7 Chief Financial Officer

Mabaso S.N.N.

NKOMAZI LOCAL MUNICIPALITY

CHIEF FINANCIAL OFFICER'S REPORT for the year ended 30 June 2007

1. ANNUAL FINANCIAL STATEMENTS

To the best of my knowledge and based on the financial records of Nkomazi Local Municipality, the annual financial statements fairly represent the state of affairs of the Municipality and its performance against the budget, its management of revenue, expenditure, assets and liabilities, its business activities, financial results for the year ended on 30 June 2007 and its financial position as at the end of the financial year ended on 30 June 2007.

2. OPERATING RESULTS

The operating results for the year ended 30 June 2007 is satisfactory. The financial year was closed off with a surplus of R 21.9 million (2005/06, R 16.8 million). However the equitable share increased from R 72 million to R81.9 million when compared to the previous year. The overall results for this period are as follows:

	Actual 2006/7 R	Actual 2005/6 R	Variance %	Budget 2006/7	Variance Actual/Budget %
Income	172,089,584	155,031,517	11.00%	173,066,537	(0.56%)
Expenditure	152,644,430	138,219,307	10.44%	173,036,218	(11.78%)
Surplus/Deficit	19,445,156	16,812,210	15.66%	30,319	64035.22%

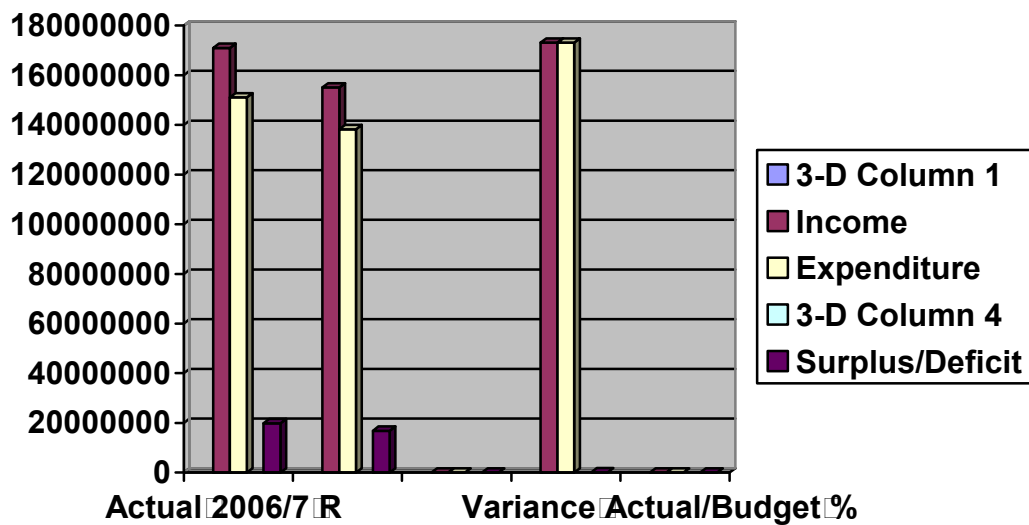
3. INCOME

The major income streams of the Municipality can best be disclosed as follows, giving a bird's eye view of total income and disclosing the dependency of the Municipality on assessment rates and mainly grants and subsidies from Government. The assessment rates and grants represent 12.72% and 47.61% of total income of the Municipality respectively. Our own income from the sale of water and electricity represents only 27.58% of the total income of the Municipality.

See diagram:

NKOMAZI LOCAL MUNICIPALITY

CHIEF FINANCIAL OFFICER'S REPORT for the year ended 30 June 2007



A summary of the income compared to the previous year and budget can be disclosed as follows:

Rates and General Services:

Description	Actual 2006/7 R	Actual 2005/6 R	Variance %	Budget 2006/7	Variance Actual/Budget %
Income	124,633,120	112,520,574	10.8%	91,136,218	36.85
Expenditure	91,378,164	83,519,530	9.41%	97,736,310	(6.51%)
Surplus/Deficit	33,254,956	29,001,044	14.07%	(6,600,092)	(603.86%)

Included in the amounts disclosed for income under Rates and general services is R 21.9 million (2005/06 R 20.9 million) for assessment rates and R 81.9 million (2005/06 R 72.3 million) received in the form of Equitable shares from National and Provincial government. Although it is good and fair to receive grants from Government, it can also have a negative impact as the Municipality becomes more dependent on Government.

NKOMAZI LOCAL MUNICIPALITY

CHIEF FINANCIAL OFFICER'S REPORT for the year ended 30 June 2007

Trading Services

Description	Actual 2006/7 R	Actual 2005/6 R	Variance %	Budget 2006/7	Variance Actual/Budget %
Income	49,456,466	42,510,943	16.34%	57,301,937	(13.69%)
Expenditure	61,266,266	54,699,777	12%	41,049,500	49.25%
Surplus/Deficit	(13,809,800)	(12,188,834)	13.30%	16,252,437	(184.91%)

A deficit of R 13.8 million has been realised on trading services, measured against a deficit of R 12.1 million in 2006. The main reason for the deficit is DWAF subsidy was not received in total.

4. OPERATING RESULTS PER CATEGORY OF EXPENDITURE

Detailed information on the operating results per category is contained in Annexure D to the financial statements. The following could however be highlighted:

1. The total salary expenditure of the Municipality amounts to R78.7 million (2005/06: R 61.3 million) or 52.05% of the total operating expenditure for the year. The generally accepted benchmark is a maximum of 35%.
2. The maintenance expenses for the financial year amount to R9.9 million which is approximately 6.61% of the total operating expenditure. Maintenance expenditure increased by R1.5 million when measured against 2005/06 financial year. Care should be taken that a reduction in maintenance cost will not result in the infrastructure not being at an acceptable level.
3. Actual Capital charges at R 10.7 million, was R 6.4 million less than the budgeted amount.
4. The total expenditure was R20.3 less than the budgeted amount.

Operating expenditure can be disclosed as follows:

The Major expenditure categories can also be presented as a percentage of the total operating expenditure as follows:

5. CAPITAL EXPENDITURE

More detail on the capital expenditure is disclosed in Appendix "C".

The Municipality budgeted R 132.6 million for Capital Expenditure in 2007 against R77 million in the previous year. However, actual capital expenditure for the year under review R 7.5 million or 5.7% of the Capital budget. This capital expenditure only reflects the CDF funded projects and not the R 22 million for MIG projects which will be capitalised in the 2007/8 financial year when finalised. Capital projects of R 62.5 million which should be funded by external loans have not been realised.

As mentioned only R21.7 million of the total allocation of R44 million has been spent on infrastructure and it is of concern that the service delivery in terms of capital infrastructure to deliver services was not implemented as planned. This will have a negative impact on customer satisfaction and effect negatively on the ability of the Municipality to render services.

**CHIEF FINANCIAL OFFICER'S REPORT
for the year ended 30 June 2007**

6. EXTERNAL LOANS, INVESTMENTS AND CASH

More information regarding loans and investments is disclosed in notes 3 to the annual financial statements, as well as appendix "B" of the financial statements.

External Loans

External Loans have been redeemed during the year, resulting in external loans being reduced from R13.9 million to R 12.4 million in the year ending June 2007.

Investments and Cash

Investments at 30 June 2007 increased from R 2 423 040.00 at the end of June 2006 to R 2 797 171.00 with the interest on the Loans being Capitalised. The investment will be utilised to meet the required repayment of the local stock loan in 2009. Refer to note 5 of the Annual Financial Statements.

7. FUNDS AND RESERVES

Refer to note 1 and 3 and annexure "A"

8. DEBTORS

Outstanding consumer debtors decreased from R23.4 million on 30 June 2006 to R20.2 million on 30 June 2007, due to the fact that Council has written off the debt of R7 409 471.16 of KamaQhekeza implemented by the former Komatipoort TLC. A legal action has been taken to collect all debts older than 120 days. The provision for bad debts, represent 100% of consumer debts older than 90 days. The purpose of which is to disclose a true position of the debtors in the face of the Balance Sheet.

A payment level of more than 95% should be maintained to generate sufficient cash flow for the Municipality to be sustainable to collect old consumer debt and to be able to set funds, reserves and conditional grants.

Expression of Gratitude

I am thankful to the Executive Mayor, the Speaker and the members of the Executive Mayoral Committee, Councilors, the Municipal Manager and all the Heads of Department for their support.

A special word of gratitude to the staff under my direction, for without their hard work and integrity the work of the financial administration would be impossible.

Mrs S.N.N. Mabaso
Chief Financial Officer
Nkomazi Local Municipality

Date:

1 BASIS OF PRESENTATION

These financial statements have been prepared in order to conform to the standards laid down by the Institute of Municipal Finance Officers in its code of practice (1997) and Report on Published Annual Financial Statements (Second edition - January 1996).

The financial statements are prepared on the historical cost basis, adjusted for fixed assets as more fully detailed in Accounting Policy note 3. The accounting policies are consistent with those of the previous year, except if otherwise indicated.

In terms of Statement 4.5 of the Code of Accounting Practice for Local Authorities in S.A. the accrual basis of accounting is being used. This means that all income must be recorded when measurable and available.

2 CONSOLIDATION

The balance sheet includes Rates and General Services, Housing Services, Trading Services and the different funds, reserves and provisions. All inter-departmental charges are set-off against each other, with the exception of assessment rates, refuse removal, electricity and water, which are treated as income and expenditure in the respective departments.

3 FIXED ASSETS

Fixed assets are stated:

- at historical cost; or
- at valuation (based on the market price at date of acquisition), where assets have been acquired by grant or donation.

Assets are stated at the above costs, while they are in existence and fit for use, except in the case of bulk assets which are written off at the end of their estimated life as determined by the Treasurer.

Depreciation

The balance shown against the heading "Loans Redeemed and Other Capital Receipts" in annexure C is tantamount to a provision for depreciation. Assets are acquired through:

- Appropriations from income, where full cost of the asset forms an immediate and direct charge against the operating income, and therefore it is unnecessary to make any further provision for depreciation, and
- Grants, where the amount representing the value of such grant or donation is immediately credited to the "Loans Redeemed and Other Capital Receipts" account.

Financing of assets

Fixed assets are financed from different sources, including external loans, operating income, endowments and internal advances. These loans and internal advances are repaid within the estimated lives of the assets. Interest is charged to the service concerned at the ruling interest rate applicable at the time that the advance is made.

4 SURPLUSES AND DEFICITS

Any surpluses or deficits arising from operations are transferred to Rates and General Services.

5 INVESTMENTS

Investments in Financial Instruments

Investments are disclosed at the lower of cost or market value if a permanent decline in value occurred. Investments are made in terms of the Council's investment policy.

Investment in Municipal Entities

Investments in Municipal Entities under the ownership and/or control of the Municipality are carried at cost. Separate consolidated financial statements are prepared to account for the Municipality's share of net assets and post-acquisition results of these investments.

6 CAPITAL DEVELOPMENT FUND

The Local Authorities Capital Development Fund Ordinance Number 9 of 1978 requires a minimum contribution of 1% of the defined revenue of the council for the immediately preceding financial year.

7 PROVISIONS AND RESERVES

Provisions and reserves have previously been established where considered necessary and are reflected in detail in the Provision and Reserve Statements.

8 INVENTORIES

Inventory (stores and materials) is valued at lower of cost, determined on the weighted average basis, or net realisable value.

9 RETIREMENT BENEFITS

The Municipality provides retirement benefits for its employees and councilors. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating Local Authorities.

10 REVENUE RECOGNITION

Revenue is recognised as follows:

- Revenue from rates is recognised when the legal entitlement to this revenue arises. Rates are levied on a monthly basis and collection charges are recognised when such amounts are legally enforceable. Interest on unpaid rates is recognized on a time proportion basis.
- Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced.
- Revenue from the sale of goods and the rendering of services is recognised when the risk or benefit thereof is passed to the consumer, net of Value Added Tax.
- Interest and rentals are recognised on a time proportion basis.
- Revenue from spot fines is recognised when payment is received and the revenue from issuing of summonses is recognised when collected.

11 LEASES

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Local Authority.

Assets subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. Lease payments are allocated between lease finance costs and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases which do not fall within the scope of the above definition. Operating lease rentals are expensed as they become due.

12 PRESENTATION CURRENCY

The annual financial statements are presented in South African Rand

13 GOING CONCERN ASSUMPTION

These Annual Financial Statements have been prepared on a going concern basis.

14 ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realizable value. Provision for bad debts is based on 100% of all outstanding debtors older than 90 days at year end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current assets.

15 CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Bank overdrafts are recorded based on the actual amount of the facility utilized. Finance charges on bank overdrafts are expensed as and when incurred.

16 TRADE CREDITORS

Trade creditors are stated at their nominal value.

17 CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the funding agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

18 COMPARATIVE INFORMATION

Current year comparatives:

Budgeted amounts have been included in the annual financial statements for the current financial year only.

Prior year comparatives:

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for reclassification are disclosed.

19 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted and expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state.

Unauthorised expenditure is accounted for as an expense in the Income Statement and where recovered, it is subsequently accounted for as revenue in the Income Statement.

NKOMAZI LOCAL MUNICIPALITY

BALANCE SHEET
as at 30 June 2007

	Notes	2007 R
CAPITAL EMPLOYED		
Funds and Reserves		25 730 133
Statutory funds	1	25 730 133
Reserves		-
Accumulated Surplus	20	38 742 790
		64 472 923
Trust Funds	2	8 725 267
Long Term Liabilities	3	10 916 750
		84 114 940
EMPLOYMENT OF CAPITAL		
Fixed Assets	4	38 580 919
Investments	5	2 797 171
		41 378 090
NET CURRENT ASSETS		42 736 850
Current Assets		84 946 620
Inventory	6	1 246 462
Debtors	7	20 163 445
Deposits made	8	477 649
Cash	10	61 604 277
VAT refundable	11	1 454 787
Current Liabilities		42 209 770
VAT payable	11	-
Provisions	12	295 862
Creditors	13	38 795 337
Short Term Portion of Long Term Liabilities	3	1 143 247
Consumer Deposits : Services	14	1 975 324
		84 114 940

NKOMAZI LOCAL MUNICIPALITY

BALANCE SHEET

as at 30 June 2007

2006	
R	
22 324 256	
22 324 256	-
14 901 938	
37 226 194	
8 520 950	
12 762 014	
58 509 158	
36 857 063	
2 423 040	
39 280 103	
19 229 055	
43 449 401	
-	
6 347 938	
472 212	
29 273 083	
7 356 168	
24 220 346	
-	
-	
21 225 506	
985 118	
2 009 722	
58 509 158	

NKOMAZI LOCAL MUNICIPALITY

INCOME STATEMENT

for the year ended 30 June 2007

2006 Actual Income	2006 Actual Expenditure	2006 Surplus/ (Deficit)		2007 Actual Income	2007 Actual Expenditure	2007 Surplus/ (Deficit)
R	R	R		R	R	R
112 520 574	83 519 530	29 001 044	RATE AND GENERAL SERVICES	124 633 118	91 378 164	33 254 954
101 865 579	67 956 031	33 909 548	Community Services	115 246 069	74 932 925	40 313 144
32 329	3 284 537	(3 252 208)	Subsidised Services	42 223	3 216 533	(3 174 310)
10 622 666	12 278 962	(1 656 296)	Economic Services	9 344 826	13 228 706	(3 883 880)
42 510 943	54 699 777	(12 188 834)	TRADING SERVICES	47 456 466	61 266 266	(13 809 800)
155 031 517	138 219 307	16 812 210	TOTALS	172 089 584	152 644 430	19 445 156
		(602 230)	Appropriations for the year (refer to note 20)			4 127 519
		16 209 980	Net Surplus for the year			23 572 675
		(1 308 042)	Retained Income at the beginning of the year			14 901 938
		14 901 938	RETAINED INCOME AT THE END OF THE YEAR			38 474 613

NKOMAZI LOCAL MUNICIPALITY

INCOME STATEMENT

for the year ended 30 June 2007

NKOMAZI LOCAL MUNICIPALITY

CASH FLOW STATEMENT

for the year ended 30 June 2007

	Notes	2007 R	2006 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	21	(54 685 482)	(41 212 056)
Increase/decrease in working capital	22	8 823 399	4 691 230
Contributions to funds and reserves		1 023 680	(4 280 176)
Interest received		4 000 170	1 405 900
Interest paid		(5 081 083)	(4 519 356)
Cash available from operations		(45 919 317)	(43 914 458)
Cash contributions from the public and government		87 699 387	98 853 230
NET CASH FROM OPERATING ACTIVITIES		41 780 070	54 938 772
CASH UTILISED IN INVESTMENT ACTIVITIES		(7 497 656)	(32 427 711)
Investment in fixed assets		(7 497 656)	(32 427 711)
		34 282 414	22 511 061
NET CASH FLOWS FROM FINANCING ACTIVITIES		(2 219 397)	(1 348 995)
Increase / (decrease) in long term loans	23	(1 845 265)	(1 024 905)
Decrease/ (increase) in cash investments	24	(374 132)	(324 090)
NET DECREASE IN CASH AND CASH EQUIVALENTS		32 063 017	21 162 066
(INCREASE)/DECREASE IN CASH ON HAND		(32 331 194)	(21 162 066)

NKOMAZI LOCAL MUNICIPALITY

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2007**

	2007 R	2006 R
1 STATUTORY FUNDS		
Redemption Fund - Streets	-	-
- Municipal Houses	-	-
Capital development fund	25 730 133	22 324 256
	<u>25 730 133</u>	<u>22 324 256</u>
Refer to Appendix A for more detail		
2 TRUST FUNDS		
Endowment Fund	153 260	153 260
Service contr. Water & Elect	329 953	329 953
Land Trust Fund	8 242 054	8 037 737
	<u>8 725 267</u>	<u>8 520 950</u>
Refer to Appendix A for more detail		
3 LONG-TERM LIABILITIES		
Local Registered Stock Loans	3 500 000	4 017 000
Annuity Loans	8 559 997	9 730 132
Taken up	8 916 970	10 087 104
Less not yet utilised	(356 973)	(356 972)
Other	-	-
Sub-total	<u>12 059 997</u>	<u>13 747 132</u>
Less : Current portion transferred to current liabilities	(1 143 247)	(985 118)
Annuity Loans	<u>(1 143 247)</u>	<u>(985 118)</u>
Total External Loans	<u>10 916 750</u>	<u>12 762 014</u>
Refer to Appendix B for more detail on long-term liabilities.		

NKOMAZI LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2007

	2007 R	2006 R
3 LONG-TERM LIABILITIES (cont.)		
ANNUITY LOANS		
Annuity loans bear interest at rates of between 9,63% and 17,55% per annum and will be fully redeemed in 2018.		
LOCAL REGISTERED STOCK		
The ABSA investor loan carried interest at 18% and was fully redeemed in the year under review.		
The INCA loan carries interest at 17,25% and will be fully redeemed in 2009.		
None of the loans are secured by any assets of Nkomazi Local Municipality.		
4 FIXED ASSETS		
Fixed assets: beginning of the year	226 126 255	193 698 544
Capital expenditure during the year	7 497 656	32 427 711
Less: Assets written off, transferred or disposed of during the year	-	-
Total fixed assets	233 623 911	226 126 255
Less: Loans redeemed and other capital receipts	(195 042 992)	(189 269 192)
Net fixed assets	38 580 919	36 857 063
5 INVESTMENTS		
<u>Financial Instruments</u>		
Long term deposits	2 797 171	2 423 040
The long term deposit is an amount of R 1 364 354 that represents an initial deposit of R 882 176 which was invested on 17 June 1999 as a loan redemption fund and stand as security for the repayment of the local stock loan No.MP324 (INCA Loan) of R 3 500 000, which will mature in 2009.		

NKOMAZI LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2007

	2007 R	2006 R
6 INVENTORY		
Consumable stores – at cost	1 246 462	-
Total Inventory	1 246 462	-
7 DEBTORS		
Consumer debtors	20 192 879	23 395 468
Other debtors	3 695 801	459 749
Overspent conditional grants and receipts	11 353 509	-
	35 242 189	23 855 217
Less: Provision for bad debts	(15 078 744)	(17 507 279)
	20 163 445	6 347 938
<u>Consumer debtors: Ageing</u>		
Current (0 – 30 days)	4 262 977	3 834 662
31 - 60 Days	(414 618)	1 118 385
61 - 90 Days	1 265 512	931 180
91 - 120 Days	15 078 744	17 511 241
Subtotal	20 192 615	23 395 468
Less: Provision for bad debts	(15 078 744)	(17 507 279)
	5 113 871	5 888 189
Classifications per consumer type or service type are not available		
Overspent conditional grant and receipts are made up as follows:		
DWAF cost recovery grant	251 515	-
MIG Funds 2006/2007	10 855 045	-
Losito bakery project	246 949	-
	11 353 509	-

NKOMAZI LOCAL MUNICIPALITY

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2007**

	2007 R	2006 R
8 DEPOSITS MADE		
Eskom - Electricity	472 649	467 212
Hectorspruit Motors - Fuel	5 000	5 000
	477 649	472 212
9 BANK AND CASH BALANCES		
The Municipality has the following bank accounts: -		
<u>Current Account (Primary Bank Account)</u>		
ABSA, Malelane branch		
Account number:1650 000 087		
Cash book balance at beginning of year	26 128 945	4 521 070
Cash book balance at end of year	59 440 674	26 128 945
Bank statement balance at beginning of year	30 667 320	10 829 490
Bank statement balance at end of year	64 690 076	30 667 320
<u>Local Government Support Grant</u>		
ABSA, Malelane branch		
Account number:405 915 7371		
Cash book balance at beginning of year	-	747 770
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	-	747 770
Bank statement balance at end of year	-	-

NKOMAZI LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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	2007 R	2006 R
9 BANK AND CASH BALANCES (cont.)		
<u>Interest Account</u>		
ABSA, Malelane branch		
Account number:405 399 8294		
Cash book balance at beginning of year	378 390	412 508
Cash book balance at end of year	<u>639 858</u>	<u>378 390</u>
Bank statement balance at beginning of year	378 390	412 508
Bank statement balance at end of year	<u>408 667</u>	<u>378 390</u>
<u>PHP Project</u>		
ABSA, Malelane branch		
Account number:405 817 6839		
Cash book balance at beginning of year	51 666	22 332
Cash book balance at end of year	<u>-</u>	<u>51 666</u>
Bank statement balance at beginning of year	51 666	22 332
Bank statement balance at end of year	<u>-</u>	<u>51 666</u>
<u>Komatipoort</u>		
ABSA, Malelane branch		
Account number:1650 000 095		
Cash book balance at beginning of year	100 823	12 509
Cash book balance at end of year	<u>158 986</u>	<u>100 823</u>
Bank statement balance at beginning of year	100 000	100 000
Bank statement balance at end of year	<u>100 000</u>	<u>100 000</u>

NKOMAZI LOCAL MUNICIPALITY

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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	2007 R	2006 R
9 BANK AND CASH BALANCES (cont.)		
<u>Marloth Park</u>		
ABSA, Malelane branch		
Account number:1650 000 001/1650 156 796/405 049 3550		
Cash book balance at beginning of year	2 606 859	2 388 428
Cash book balance at end of year	1 356 859	2 606 859
Bank statement balance at beginning of year	2 859 021	2 667 212
Bank statement balance at end of year	1 506 480	2 859 021
10 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating the financial position:		
Bank balances	61 596 377	29 266 683
Cash on hand	7 900	6 400
Total cash and cash equivalents	61 604 277	29 273 083
11 VAT		
VAT (payable)/refundable	1 454 787	7 356 168
VAT is payable on the receipts basis. Only once payment is received from debtors the VAT is paid over to SARS. The refund due in the prior year is a result of investigating VAT returns previously submitted. SARS audited the refund due and it was repaid in August 2006.		

NKOMAZI LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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	2007 R	2006 R
12 PROVISIONS		
Performance bonus	295 862	-
Total Provisions	295 862	-
Performance bonuses are paid one year in when the assessment of eligible employees had taken place. These performance bonuses should be approved by the Audit Committee, before any payments may be made.		
The movement in current provisions are reconciled as follows: -		
	Performance Bonus	
30-Jun-07		
Balance at beginning of year	-	
Expenditure incurred	295 862	
Balance at end of year	295 862	
30-Jun-06		
Balance at beginning of year	-	
Expenditure incurred	-	
Balance at end of year	-	
13 CREDITORS		
Trade creditors	6 306 521	6 538 781
Other creditors	2 642 670	2 194 432
Accrued expense	198 863	-
Accrued staff leave	5 121 220	4 732 227
Retention creditors	4 132 784	1 462 875
Unspent conditional grants and receipts	20 393 279	6 297 191
	38 795 337	21 225 506
Provision for accrued staff leave is based on 100% of the Rand value of leave not yet taken at year end.		

NKOMAZI LOCAL MUNICIPALITY

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2007**

	2007 R	2006 R
13 CREDITORS (cont.)		
Unspent conditional grants and receipts are made up as follows:		
Establishment Grant	272 891	272 891
LED fund	228 604	848 733
Establishment: LED unit	20 986	20 986
Sanitation project	1 657 933	1 780 588
Losito Bakery Project	-	73 150
FMG	249 397	504 436
Mun Support Grant	231 740	231 740
Municipal system improvement grant	1 000 279	657 021
Drought relief - New	191 818	201 724
FEBRA PAYMENTS	10 430	-
Electrification Projects	7 377 103	-
DWAF COST RECOVERY GRANT	-	-
Vlakbult water rec.(2205353)	48 548	-
Formalisation: Kamaqhekeza	-	138 874
MIG	-	927 004
RDP Houses Electrification Programme	-	499 885
MIG-PMU office	427 377	-
MIG funds 2007/2008	8 333 333	-
Stormwater: Kamaqhekeza	342 840	140 159
Total Conditional Grants and Receipts	20 393 279	6 297 191
14 CONSUMER DEPOSITS		
Electricity and water	1 975 324	2 009 722

NKOMAZI LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2007

	2007 R	2006 R
15 PROPERTY RATES		
<u>Actual</u>		
Residential	12 597 192	12 063 562
Commercial	9 300 837	8 903 922
Total Assessment Rates	21 898 029	20 967 484
Residential	164 182 781	161 204 775
Commercial	84 801 500	83 910 441
State	340 700	340 700
Municipal	12 433 200	9 439 300
Unknown - not yet classified	80 522 642	77 316 642
Total Property	342 280 823	332 211 858
Assessment rates are charged on the valuation roll done before demarcation. Valuations on land are performed every three years and the last general valuation came into effect on the following dates:		
- Malelane - 1 June 2000		
- Marloth Park - 17 December 1997		
- Komatipoort - 2 January 2000		
Assessment rates are levied in the beginning of the financial year and are payable in twelve equal monthly instalments. Late payments carry interest at the rate of 18%. Special permission was granted by the MEC to utilize the valuation done in 1997 for Marloth Park longer than the three years. Assessment rate are levied on land value only and rebates are granted to pensioners and permanently disabled persons.		
16 SERVICE CHARGES		
Sale of electricity	20 821 289	18 424 365
Sale of water	26 638 152	24 086 578
Refuse removal	2 910 969	2 613 466
Sewerage and sanitation charges	1 984 449	3 654 926
Total Service Charges	52 354 859	48 779 335

NKOMAZI LOCAL MUNICIPALITY

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2007**

	2007 R	2006 R
17 REMUNERATION OF COUNCILLORS		
Mayor's allowance	433 150	300 124
Speaker	329 626	178 917
Mayoral Committee members	1 853 585	847 665
Part time Exco members	-	462 129
Part time Councillors	6 756 412	3 836 395
Total Councillors' Remuneration	9 372 772	5 625 230

In-kind Benefits

The Executive Mayor, Speaker and Executive Committee Members are full-time. The Executive Mayor and Speaker are provided with an office and secretarial support at the cost of the Council.

The Executive Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Executive Mayor has use of a Council owned vehicle for official duties.
The Executive Mayor has one full-time bodyguard.

18 AUDITORS' REMUNERATION

Audit fees	1 479 208	354 921
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Audit's for the Financial year's 2002/2003, 2003/2004, 2004/2005 and 2005/2006 were all performed in the current year.

NKOMAZI LOCAL MUNICIPALITY

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2007**

	2007 R	2006 R
19 FINANCE TRANSACTIONS		
Total external interest earned or paid:		
Interest earned	<u>4 000 170</u>	<u>1 405 900</u>
Interest paid	<u>5 081 083</u>	<u>4 519 356</u>
Capital charges debited to operating account:		
Interest	5 081 083	4 519 356
External	2 395 200	2 380 080
Internal	2 685 883	2 139 276
Redemption	5 650 875	4 359 905
External	1 483 578	1 024 905
Internal	4 167 297	3 335 000
	<u>10 731 958</u>	<u>8 879 261</u>
20 APPROPRIATIONS		
Appropriation account		
Accumulated surplus/(deficit): beginning of the year	14 901 938	(1 308 042)
Operating surplus/(deficit) for the year	19 713 333	16 812 210
Appropriations for the year:		
- Prior year adjustments	4 127 519	(602 230)
Accumulated surplus/(deficit): end of the year	<u>38 742 790</u>	<u>14 901 938</u>
Operating account:		
Capital expenditure	-	45 918
Contributions to:		
- Bad debt provision	(2 428 535)	1 595 589
- Provision: Encashment of leave/leave due	388 993	1 938 669
- Provision: Performance bonus	295 862	-
- Capital development fund	720 000	700 000
	<u>(1 023 680)</u>	<u>4 280 176</u>

NKOMAZI LOCAL MUNICIPALITY

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2007**

	2007 R	2006 R
21 CASH GENERATED BY OPERATIONS		
Surplus/(deficit) for the year	19 445 156	16 812 210
Appropriations for the year	4 127 519	(602 230)
Appropriations charged against income:	(1 023 680)	4 280 176
Contribution to Capital Development Fund	720 000	700 000
Bad debt provision	(2 428 535)	1 595 589
Provision: Encashment of leave/leave due	388 993	1 938 669
Provision: Performance bonus	295 862	-
Fixed assets	-	45 918
	<u>22 548 995</u>	<u>20 490 156</u>
Interest received	(4 000 170)	(1 405 900)
Capital charges:		
Interest paid:		
- on internal advances	2 685 883	2 139 276
- on external loans	2 395 200	2 380 080
Redemption:		
- of internal advances	-	-
- of external loans	-	-
Grants and subsidies received from the state	(81 925 584)	(72 335 913)
Non-operating income		
- Statutory funds	3 405 876	6 000 594
- Endowment fund	-	34 786
- Land trust Fund	204 317	1 567 355
Non-operating expenditure		
- Statutory Fund	-	-
- Land Trust fund	-	(82 490)
	<u><u>(54 685 482)</u></u>	<u><u>(41 212 056)</u></u>

NKOMAZI LOCAL MUNICIPALITY

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2007**

	2007 R	2006 R
22 (INCREASE)/DECREASE IN WORKING CAPITAL		
(Increase)/decrease in inventory	(1 246 462)	-
(Increase)/decrease in debtors	(13 815 507)	6 082 677
Increase/(decrease) in VAT refundable	5 901 381	(889 744)
Increase/(decrease) in VAT payable	0	-
Increase/(decrease) in provisions	295 862	-
Increase/(decrease) in short-term portion on long term liabilities	158 129	165 957
Increase/(decrease) in consumer deposits	(34 398)	412 697
Increase/(decrease) in creditors	17 569 831	(817 285)
(Increase)/decrease in deposits	(5 437)	(263 072)
	<u>8 823 399</u>	<u>4 691 230</u>
23 INCREASE/(DECREASE) IN LONG-TERM LOANS (EXTERNAL]		
Loans repaid	<u>(1 845 265)</u>	<u>(1 024 905)</u>
	<u>(1 845 265)</u>	<u>(1 024 905)</u>
24 (INCREASE)/DECREASE IN EXTERNAL CASH INVESTMENTS		
Investment made	<u>(374 132)</u>	<u>(324 090)</u>
	<u>(374 132)</u>	<u>(324 090)</u>
25 (INCREASE)/DECREASE IN CASH ON HAND		
Cash balance: beginning of the year	29 273 083	8 111 017
Less: Cash balance: end of the year	<u>(61 604 277)</u>	<u>(29 273 083)</u>
	<u>(32 331 194)</u>	<u>(21 162 066)</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2007

26 RETIREMENT BENEFITS

Personnel and Councillors are members of the following funds:

Transvaal Municipal Pension Fund
Municipal Employees Gratuity Fund
Municipal Employees Pension Fund
Municipal Councillors Pension Fund

The Municipal Employees Gratuity Fund is a defined benefit plan which is governed by the Pension Fund Act of 1956. The most recent actuarial valuation indicated that the fund was financially sound.

The NFMW Retirement Fund is a fixed contribution fund and there is no statutory requirement to do an actuarial valuation.

The MEPF is a fixed contribution fund.

The MCPF is a fixed contribution fund.

The JMPF is a fixed contribution fund.

Valuations		
Actuarial	Interim	Level
30-Jun-02	30-Jun-04	Fully Funded
30-Jun-04	30-Jun-05	Fully Funded
28-Feb-02	28-Feb-05	Fully Funded
30-Jun-04	30-Jun-05	Fully Funded Funded 104.2%
30-Jun-03	31-Dec-04	Not Fully Funded 99.3%

27 CAPITAL COMMITMENTS

Commitments in respect of capital

- Approved and contracted for

Infrastructure

Machinery

- Approved but not yet contracted for

Infrastructure

Total

This expenditure will be financed from:

- Government Grants

- Own funding

2007 R	2006 R
40 230 506	1 108 157
36 330 506	1 108 157
3 900 000	-
29 024 295	-
29 024 295	-
69 254 801	1 108 157
69 254 801	1 108 157
65 354 801	1 108 157
3 900 000	-

NKOMAZI LOCAL MUNICIPALITY

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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	2007 R	2006 R
28 CONTINGENT LIABILITY		
Claim from A.P.S South Africa (Pty) Ltd	<u>189 359</u>	<u>-</u>
The Municipality is being sued by a contractor (R 121,182) due to non payment of a direct payment request. Council is contesting this claim based on legal advice. A court date has not yet been set. Included in liability is estimated legal costs of R 50,000 and interest on the amount in dispute amounting to R 18,177.		
Claim from Sipho Sam Sibiya - VIP Toilettres	<u>204 459</u>	<u>-</u>
This amount is claimed from a contractor relating to money still owned by the Municipality on a project. This claim was part of an forensic audit done by Ramathe Fibaz in the 2005/2006 financial year. Included in the liability is estimated legal cost of R40 000.		
Claim from Coetzer	<u>544 366</u>	<u>-</u>
This relates to a non-payment by Coetzer for pre-paid cards submitted to him by the Komatipoort pay point. This was done according to an agreement by the former Komatipoort TLC. Included in the liability is estimated legal cost of R80 000.		
29 CAPITAL DEVELOPMENT FUND		
Accumulated fund-opening balance	22 324 257	44 648 514
Movement for the year	<u>3 405 876</u>	<u>22 324 257</u>
CDF balance on year end	25 730 133	22 324 257
Less: External investments	-	-
Shortfall: CDF not supported by cash in the bank	<u>25 730 133</u>	<u>22 324 257</u>
(Refer to appendices A and B for more detail)		

NKOMAZI LOCAL MUNICIPALITY

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2007**

	2007 R	2006 R
30 LAND TRUST FUND		
Accumulated fund	8 242 054	8 037 737
Less: External Investments	-	-
Shortfall: Land Trust Fund not supported by cash in the bank	<u>8 242 054</u>	<u>8 037 737</u>
(Refer to appendix A and B for more detail)		
31 ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT		
31.1 Contributions to organized local government (SALGA)		
Amount paid during current year	<u>150 011</u>	<u>161 332</u>
31.2 Skills development levies paid	<u>681 229</u>	<u>512 178</u>
31.3 RSC levies paid to the District Municipality	<u>-</u>	<u>280 576</u>
31.4 Contributions by the municipality towards:		
- Pension funds of employees	7 934 732	10 700 207
- Medical aid funds of employees	2 150 512	3 187 531
- Pension funds of councillors	953 758	563 846
- Medical aid funds of councillors	139 179	60 939
	<u>11 178 181</u>	<u>14 512 523</u>
No contributions by the municipality on pension or medical aid funds, duties, levies or tax was outstanding at the end of the financial year.		
31.5 PAYE/SITE/UIF deducted and paid over		
- Opening balance	-	-
- Deducted from employees	8 354 802	7 618 631
- Paid over	(8 354 802)	(7 618 631)
- Balance owed	<u>-</u>	<u>-</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2007

	2007 R	2006 R
31.6 Remuneration of Senior Managers		
<i>Remuneration of the Municipal Manager</i>		
Annual Remuneration	498 281	541 707
Performance Bonuses	-	29 088
Car Allowance	103 742	96 000
Contributions to UIF, Medical and Pension Funds	67 259	139 235
Other	11 644	-
Total	680 926	806 030
<i>Remuneration of the Chief Financial Officer</i>		
Annual Remuneration	346 451	557 979
Performance Bonuses	-	42 468
Car Allowance	50 000	12 000.00
Contributions to UIF, Medical and Pension Funds	99 642	128 016.00
Other	119 793	-
Total	615 886	740 463

The remuneration of the CFO includes the remuneration of the acting CFO from July to October, as the permanent CFO was only appointed from February.

31.6 Remuneration of Senior Managers (cont.)

Remuneration of Individual Executive

	<u>Technical Services</u> R	<u>Corporate Services</u> R	<u>Community Services</u> R	<u>Public safety</u> R	<u>Community Social</u> R
30-Jun-07					
Annual Remuneration	265 345	274 633	277 505	301 466	126 962
Performance Bonuses	20 071	-	-	-	-
Car Allowance	81 667	72 000	67 000	36 000	40 000
Medical and pension funds	64 590	72 213	69 239	80 151	30 942
Other	14 799	33 909	69 358	44 396	8 943
Total	446 472	452 755	483 102	462 013	206 847

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2007

31.6 Remuneration of Senior Managers (cont.)

	<u>Technical Services</u> R	<u>Corporate Services</u> R	<u>Community Services</u> R	<u>Public safety</u> R	<u>Community Social</u> R
30-Jun-06					
Annual Remuneration	337 603	457 920	366 282	410 836	346 800
Performance Bonuses	40 142	40 142	40 142	40 142	40 142
Car Allowance	120 000	96 000	100 000	48 000	120 000
Medical and pension funds	92 913	95 101	92 903	107 073	85 971
Other	1 093	1 263	1 263	1 212	1 242
Total	591 751	690 426	600 590	607 263	594 155

The Community Social Department was incorporated into the Community Services Department in February. The amounts included in Community Social is therefore only for 4 months in the current year. The permanent managers were only appointed in February and these amounts therefore include acting allowances for July to October.

31.7 Intergovernmental and other allocations received**- From organs of the State on National level**

	2007 R	2006 R
Equitable share	81 925 584	72 335 913
Municipal Systems Improvement Grant	1 484 000	1 484 000
Municipal Infrastructure Grant	17 901 651	17 460 382
Water Services Operating Subsidy	16 427 502	15 153 459
Health Subsidy	2 336 494	549 740
Electrification of RDP houses	9 082 000.00	2 950 000
DME: Electrification of Jeppe's Reef and Phosaville	-	-
Finance Management Grant	500 000	-
DWAF: Cost recovery pilot project	4 000 000.00	-

NKOMAZI LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2007

	2007 R	2006 R
31.7 Intergovernmental and other allocations received (cont.)		
- From organs of the State on Provincial Level		
Local Government Capacity Building Grant	-	-
Town Establishment - Kamhlushwa Ext 2	-	-
IDP	-	-
LED Project - Mangweni Grant	-	-
Drought Relief	-	676 419
Sanitation VIP's	-	-
Tonga East Bulk Water	-	-
LEDF One Day Market	-	-
Grant - Town Planning	-	-
- Private grants/subsidies	-	-
- From other municipalities	-	-
	133 657 231	110 609 913

The municipality has complied with all the conditions set by the transferring organ of State or the conditions set by the other institutions who made allocations to the municipality. The unspent portion of conditional allocations are disclosed as creditors on the face value of the Balance Sheet. No funds destined for the municipality in terms of the Division of Revenue Act were delayed or withheld during the financial year.

31.8 Unauthorised, irregular and fruitless and wasteful expenditure

Unauthorised expenditure

Opening balance prior year	13 070 321	11 373 918
Current year	1 084 434	1 696 403
Approved by Council	(13 070 321)	-
Transfer to receivables	-	-
	1 084 434	13 070 321

NKOMAZI LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2007

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2007

	2007 R	2006 R
31.8 Unauthorised, irregular and fruitless and wasteful expenditure (cont.)		
Fruitless expenditure		
Opening balance prior year	234 435	234 435
Current year	-	-
Approved by Council	(234 435)	-
Transfer to receivables	-	-
	<u>-</u>	<u>234 435</u>

31.9 Compliance with MFMA

No known material non-compliance with the MFMA occurred during the year. The Municipality is in process of implementing the requirements of the MFMA in line with the phased in approach proposed by National Treasury. However, the implementation to date is not satisfactory and the following need urgent attention:

- Internal audit function
- Independent Audit Committee
- Delegation of powers in terms of MFMA
- Performance Management System
- Asset Management Policy
- Tariff policy

31.10 Comparison with budget

The actual performance measured against budgeted performance is set out in the annexures to the annual financial statements.

APPENDIX A

NKOMAZI LOCAL MUNICIPALITY

STATUTORY FUNDS, RESERVES AND TRUST FUNDS

	Balance 30 June 2006	Contributions during the year	Interest on investments	Other income	Operating expenditure during the year	Capital expenditure during the year	Balance 30 June 2007
STATUTORY FUNDS							
Capital development fund	22 324 257	720 000	2 685 876	-	-	-	25 730 133
Sinking Fund - Streets	-	-	-	-	-	-	-
- Mun Houses	-	-	-	-	-	-	-
	22 324 257	720 000	2 685 876	-	-	-	25 730 133
RESERVES							
Maintenance reserve	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
TRUST FUNDS							
Endowment Funds - Roads	153 260	-	-	-	-	-	153 260
Services contribution; Water	94 726	-	-	-	-	-	94 726
Services contribution: Electricity	235 227	-	-	-	-	-	235 227
Total Endowment Funds	483 213	-	-	-	-	-	483 213
Land Trust Fund	8 037 737	-	-	204 317	-	-	8 242 054
	8 520 950	-	-	204 317	-	-	8 725 267

APPENDIX B

NKOMAZI LOCAL MUNICIPALITY EXTERNAL LOANS AND INTERNAL ADVANCES

External loans		Balance 30/06/2006 R	Received during year R	Redeemed written off R	Balance 30/06/2007 R
LOCAL REGISTERED STOCK		4 017 000	-	517 000	3 500 000
OMB Nominees(Pty) Ltd:18.00% 1991-06		517 000	-	(517 000)	-
INCA:17.25% 1999-09 Mp324		3 500 000	-	-	3 500 000
ANNUITY LOAN (DBSA)		9 883 548	-	(966 578)	8 916 970
17.40% 1993 - 2009 15370-10	Electricity	19 262	-	(4 456)	14 806
17.55% 1993 - 2009 15370-11	Electricity	110 624	-	(25 537)	85 087
15.26% 1996-2011 15264/03	Electricity	106 926	-	(13 595)	93 331
13.41% 1996-2009 15264/05	Roads	37 622	-	(10 945)	26 677
17.53% 1996-2009 15264/06	Electricity	23 037	-	(5 260)	17 777
16.45% 1991-2005 15416/12	Sewerage	-	-	-	-
15.77% 1995-2009 15416/13	Sewerage	1 114 143	-	(260 286)	853 858
15.77% 1995-2009 15416/14	Sewerage	846 040	-	(197 651)	648 388
15.77% 1995-2009 15416/16	Electricity	496 765	-	(82 987)	413 778
15.80% 1996-2010 15416/17	Roads	184 907	-	(30 890)	154 017
15.80% 1996-2010 15416/18	Registration Authority	248 383	-	(41 494)	206 889
16.50% 2000-2018 13273/1/2	Upgrading Malelane infrastructure	4 948 247	-	(124 365)	4 823 881
0% 1996 - 2009 LEDC	Water	37 830	-	-	37 830
15.26% 1993- 2012 15321-03	Lionspruit (Purchase of farm)	1 709 763	-	(169 113)	1 540 650
TOTAL EXTERNAL LOANS		13 900 548	-	(449 578)	12 416 970
INTERNAL LOANS		Balance 30/06/2006 R	Received during year R	Redeemed written off R	Balance 30/06/2007 R
Capital Development Fund		22 324 257	3 405 876	-	25 730 133
TOTAL INTERNAL LOANS		22 324 257	3 405 876	-	25 730 133

NKOMAZI LOCAL MUNICIPALITY - MP324
FIXED ASSETS DISCLOSED ON APPENDIX C AS AT 30 JUNE 2007

Department		Revenue	CDF	Grants	Total
Assessment Rates	11	-	-	-	-
Security Services	12	-	-	-	-
Protection Services	13	-	751 051	-	679 020
Vehicle Register	14	-	273 921	-	273 921
Fire Protection	15	-	98 500	-	98 500
Estates & Building	16	-	4 813	-	4 813
Council General Experi	17	-	-	-	-
Civil Services	19	-	61 524	-	61 524
Public Works- Roads &	20	-	1 778 212	-	7 460 275
Nature Conservation	21	-	-	-	-
Parks & Cemeteries	22	-	541 714	-	541 714
Socio Economic Servi	23	-	730 354	-	721 672
Primary Health	38	-	160 448	-	160 448
Library	39	-	10 422	-	10 422
Municipal Manager	40	-	-	-	-
Corporate Services	41	-	510 071	-	510 071
Finance	42	-	49 691	-	49 691
General Cleansing	43	-	140 417	-	140 417
Electricity	44	-	978 767	-	1 823 438
Water	45	-	1 407 751	-	12 358 183
Sewerage	46	-	-	-	-
		-	7 497 656	-	24 894 109

APPENDIX C

NKOMAZI LOCAL MUNICIPALITY

ANALYSIS OF FIXED ASSETS

Expenditure 2006	SERVICE	Budget 2007	Balance 30/06/2006	Expenditure	Redeemed or written off	Balance 30/06/2007
7 937 291	RATES & GENERAL SERVICES	77 643 011	138 792 325	5 111 138	-	143 903 463
6 990 906	Community Services	45 806 511	110 043 980	4 258 561	-	114 302 541
175 542	Health Services	960 000	4 289 385	160 448	-	4 449 833
57 164	Community, Economic & Tourism	2 290 000	4 761 154	730 354	-	5 491 508
	Town planning	-	99 013	-	-	99 013
280 627	Town estate & buildings	4 650 000	59 673 334	4 813	-	59 678 147
5 859 598	Public works: Roads & Storm water	32 358 500	33 252 919	1 778 212	-	35 031 131
-	Street lights	-	278 829	-	-	278 829
-	Vehicle	400 000	2 837 370	273 921	-	3 111 291
-	Electronic equipment	-	250 817	-	-	250 817
18 629	Town Treasurer/Finance	70 000	1 584 812	49 691	-	1 634 503
127 071	Corporate Services	4 138 011	668 454	510 071	-	1 178 525
18 747	Municipal Manager	-	132 876	-	-	132 876
390 822	Security Services	175 000	405 621	-	-	405 621
62 706	Protection services/Public safety	765 000	1 809 396	751 051	-	2 560 447
68 539	Subsidized services	4 226 500	15 376 663	712 160	-	16 088 823
3 843	Civil building	100 000	11 707 640	61 524	-	11 769 164
-	Cemetery	-	18 000	541 714	-	559 714
-	Buildings Depot	-	603 273	-	-	603 273
-	Public toilets	-	279 000	-	-	279 000
-	Machinery	-	133 507	-	-	133 507
-	Staff housing	-	1 405 209	-	-	1 405 209
-	M net booster tower	-	72 600	-	-	72 600
-	Youth camp	-	4 000	-	-	4 000
-	Fire protection	2 115 000	141 662	98 500	-	240 162
14 778	Library	12 000	48 616	10 422	-	59 038
49 918	Parks and cemetery's	1 999 500	963 156	-	-	963 156
877 846	Economic services	27 610 000	13 371 682	140 417	-	13 512 099
-	Holiday resort	-	1 500 000	-	-	1 500 000
341 677	Licensing	-	1 359 869	-	-	1 359 869
536 169	Cleansing	4 275 000	2 492 300	140 417	-	2 632 717
-	Sewerage	23 335 000	8 019 513	-	-	8 019 513
24 490 420	TRADING SERVICES	54 970 345	87 333 930	2 386 518	-	89 720 448
5 799 975	Electricity	8 290 000	38 593 984	978 767	-	39 572 751
18 690 445	Water	46 680 345	48 739 946	1 407 751	-	50 147 697
32 427 711	Total fixed assets	132 613 356	226 126 255	7 497 656	-	233 623 911
	Less: Loans redeemed and other capital receipts		189 269 192	5 773 800	-	195 042 992
	Loans redeemed and advances paid		29 137 860	5 773 800	-	34 911 660
	Contributions ex operating income		6 132 942	-	-	6 132 942
	General capital		80 977 537	-	-	80 977 537
	Appreciation of assets		6 750 294	-	-	6 750 294
	Trust funds		5 636 759	-	-	5 636 759
	Grants and subsidies		60 633 800	-	-	60 633 800
	NET FIXED ASSETS		36 857 063	1 723 856	-	38 580 919

APPENDIX D

NKOMAZI LOCAL MUNICIPALITY ANALYSIS OF OPERATING INCOME AND EXPENDITURE FOR THE YEAR ENDED AT 30 JUNE 2007

ACTUAL 2006		ACTUAL 2007	BUDGET 2007
INCOME			
72 335 913	Grants and subsidies	81 925 584	81 925 584
82 695 604	Operating income	90 164 002	91 140 853
20 967 484	Assessment rates	21 898 029	20 000 000
18 154 162	Sale of electricity	20 821 289	16 117 000
24 086 578	Sale of water	26 638 152	41 184 937
19 487 380	Other service charge	20 806 532	13 838 916
155 031 517	Total Income	172 089 586	173 066 437
EXPENDITURE			
61 356 567	Salaries, wages and allowances	78 729 527	76 230 443
61 838 803	General expenses	52 196 062	68 394 333
13 592 829	Purchase of electricity	13 894 026	14 500 000
514 971	Purchase of water	447 858	550 000
47 731 003	Other expenses	37 854 178	53 344 333
5 583 221	Repairs and maintenance	9 998 706	10 550 000
8 694 798	Capital charges	10 731 958	17 129 442
45 918	Contributions to fixed assets	-	12 000
700 000	Contributions	720 000	720 000
138 219 307	Gross Expenditure	152 376 253	173 036 218
-	Less: Charged out	-	-
138 219 307	Net Expenditure	152 376 253	173 036 218

APPENDIX E

**NKOMAZI LOCAL MUNICIPALITY
DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2006**

2006 Actual	2006 Actual	2006 Actual Surplus/ (Deficit)		2007 Actual	2007 Actual	2007 Actual	2007 Budget
Income	Expenditure		SERVICES	Income	Expenditure	Surplus/(Deficit)	Surplus/ (Deficit)
112 520 574	83 519 530	29 001 044	RATES AND GENERAL	124 633 120	91 378 164	33 254 956	(2 197 092)
101 865 579	67 956 031	33 909 548	COMMUNITY SERVICES	115 246 070	74 932 925	40 313 145	8 519 967
20 967 484	-	20 967 484	Assessment rates	21 898 029	-	21 898 029	20 000 000
572 160	6 820 083	(6 247 923)	Health services	2 350 158	6 982 789	(4 632 631)	(5 620 771)
-	3 893 800	(3 893 800)	Socio-Economic & Tourism	-	4 554 070	(4 554 070)	(4 955 922)
-	9 212 421	(9 212 421)	Public Works - Roads & Storm water	-	11 283 158	(11 283 158)	(10 546 066)
1 450 662	19 656 557	(18 205 895)	Council Expenses	-	22 447 986	(22 447 986)	(19 813 533)
72 335 913	-	72 335 913	Grants and subsidies(equitable share)	81 925 584	-	81 925 584	51 800 000
7 670	2 168 457	(2 160 787)	Nature Conservation	11 358	2 008 840	(1 997 482)	(2 371 998)
-	1 507 010	(1 507 010)	Municipal Manager	-	1 355 987	(1 355 987)	(1 875 031)
4 147 804	7 429 928	(3 282 124)	Finance	6 068 153	5 401 601	666 552	(4 423 907)
635 737	6 896 988	(6 261 251)	Corporate Services	1 001 128	7 647 801	(6 646 673)	(1 875 031)
1 324 036	3 268 846	(1 944 810)	Estates & Buildings	1 147 270	4 344 564	(3 197 294)	(3 146 559)
399 276	3 436 929	(3 037 653)	Public safety/Protection services	812 705	4 467 241	(3 654 536)	(3 569 294)
-	2 210 370	(2 210 370)	Security Services	-	2 977 015	(2 977 015)	(3 147 885)
24 837	1 454 642	(1 429 805)	Parks & Cemetery	31 685	1 461 873	(1 430 188)	(1 934 036)
32 329	3 284 537	(3 252 208)	SUBSIDIZED SERVICES	42 223	3 216 533	(3 174 310)	(4 695 814)
-	139 675	(139 675)	Fire protection	1 285	316 307	(315 022)	(570 921)
-	2 602 877	(2 602 877)	Civil Services	(545)	2 384 796	(2 385 341)	(3 181 847)
32 329	541 985	(509 656)	Library	41 483	515 430	(473 947)	(943 046)
10 622 666	12 278 962	(1 656 296)	ECONOMIC SERVICES	9 344 827	13 228 706	(3 883 879)	(6 021 245)
2 613 465	5 875 640	(3 262 175)	Cleansing Services	2 910 969	7 551 927	(4 640 958)	(2 424 519)
4 354 274	3 334 611	1 019 663	Licensing	4 446 407	4 394 222	52 185	(1 361 037)
3 654 927	3 068 711	586 216	Sewerage	1 987 451	1 282 557	704 894	(2 235 689)
42 510 943	54 699 777	(12 188 834)	TRADING SERVICES	47 456 466	61 266 266	(13 809 800)	8 102 029
18 424 365	19 749 158	(1 324 793)	Electricity	20 818 314	20 301 380	516 934	2 167 080
24 086 578	34 950 619	(10 864 041)	Water	26 638 152	40 964 886	(14 326 734)	5 934 949
155 031 517	138 219 307	16 812 210	Total	172 089 586	152 644 430	19 445 156	5 904 937
		(602 230)	Appropriations for the year(refer note 20)			4 127 519	
		16 209 980	Net surplus/(deficit)for the year			23 572 675	
		(1 308 042)	Accumulated surplus/(deficit): Beginning of year			14 901 938	
		14 901 938	ACCUMULATED SURPLUS: END OF YEAR			38 474 613	

APPENDIX F

NKOMAZI LOCAL MUNICIPALITY

DISCLOSURES IN TERMS OF SECTION 123 OF MFMA OF GRANTS AND SUBSIDIES RECEIVED FOR THE YEAR ENDED 30 JUNE 2007

**Grant and Subsidies
Received**

Name of Grants	Name of organ of state or municipal entity	Roll over	Quarterly receipts				Quarterly expenditure				Delayed or withheld	Reason for delay / withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest DORA	Reason for non-compliance
			September	December	March	June	September	December	March	June				
Drought relief	DWAF	201 724	-	-	-	-	-	33 415	3 289	-	No	N/a	Yes	N/a
MIG	DPLG	234 808	6 690 116	-	11 211 535	-	-	1 431 158	6 766 199	13 549 533	Yes	Non performance	No	Lack of capacity
RDP Electrification	DME	-	1 050 000	450 000	7 582 000	-	297 326	-	-	1 407 570	No	N/a	Yes	N/a
Water Operating subsidy	DWAF	-	4 682 700	25 166	11 719 636	-	4 527 903	5 689 530	4 897 356	8 962 076	No	N/a	Yes	N/a
MSIG	DPLG	657 021	742 000	442 000	300 000	-	440 824	347 019	103 390	373 148	No	N/a	Yes	N/a
FMG	DPLG	504 435	-	500 000	-	-	184 430	184 430	184 430	201 748	No	N/a	Yes	N/a
Equitable share	DPLG	-	27 313 990	20 481 396	34 130 198	-	20 481 396	20 481 396	20 481 395	20 481 396	No	N/a	Yes	N/a
Health subsidy	Health	-	735 494	1 200 750	400 250	-	584 123	584 124	584 124	584 124	No	N/a	Yes	N/a
Cost recovery	DWAF	-	-	-	4 000 000	-	-	-	-	4 251 514	No	N/a	Yes	N/a